19 February 2025

RESULTS FOR 2024

Hang Seng Bank today is pleased to report its strong full-year financial results for 2024, showing sustained growth momentum.

The Bank saw a notable 26% increase in non-interest income, a result of deliberate efforts in diversifying its revenue streams and growing the target customer base.

Despite a year of uncertainties, operating profit increased by 8% year-on-year to HK$21,558m. Profit before tax increased by more than HK$900m year-on-year. Earnings per share improved by 4% while return on shareholders' equity remained steady at 11.3% compared to 2023. Total dividend distribution for 2024 was HK$6.80 per share, an improvement of 4.6% year-on-year.

As a result of accelerating growth in the retail customer base both in Hong Kong and mainland China, the Bank reported a 75% jump in new-to-bank affluent customers and a 15% increase in affluent customer numbers. New account openings for retail mainland China customers surged 81% year-on-year as integrated banking and wealth management services enhanced cross-boundary business.

Diana Cesar, Executive Director and Chief Executive of Hang Seng Bank, said: "2024 was a challenging year with geopolitical and macro uncertainties. But Hang Seng delivered a strong financial performance by focusing on diversifying our revenue and growing our target customer base. We also took a proactive approach to de-risk our portfolio, which enabled us to keep growing, and delivered notable results for our stakeholders. Going forward, we will continue to invest in our capabilities and support our community, which will fuel growth in a sustainable manner and contribute to Hong Kong's position as an international financial centre and global super-connector."

With economic uncertainties set to persist, Hang Seng continues to adopt a prudent and forward-looking risk management approach, which will provide us with a solid foundation for future growth.

Hang Seng Bank 2024 Annual Results - Highlights

- Net interest income down 5% to HK$30,784m (HK$32,295m in 2023) with net interest margin narrowing by 10 basis points to 2.20% (2.30% in 2023).
- Non-interest income up 26% to HK$10,753m (HK$8,527m in 2023).
- Operating profit up 8% to HK$21,558m (HK$19,946m in 2023). Profit before tax up 5% to HK$21,014m (HK$20,105m in 2023).
- Profit attributable to shareholders up 3% to HK$18,379m (HK$17,848m in 2023), and earnings per share up 4% to HK$9.33 per share (HK$8.97 per share in 2023).
- Return on average ordinary shareholders' equity of 11.3% (11.3% in 2023).
- Fourth interim dividend of HK$3.20 per share; total dividends up 4.6% to HK$6.80 per share for 2024 (HK$6.50 per share in 2023).
- Common equity tier 1 ('CET1') capital ratio of 17.7%, tier 1 ('T1') capital ratio of 19.4% and total capital ratio of 20.8% at 31 December 2024 (CET1 capital ratio of 18.1%, T1 capital ratio of 19.9% and total capital ratio of 21.4% at 31 December 2023).
- Cost efficiency ratio of 36.6% (35.8% in 2023).

Within this document, the Hong Kong Special Administrative Region of the People's Republic of China has been referred to as 'Hong Kong', the Hang Seng Bank Limited as 'the Bank' and its subsidiaries as 'the Group'. The abbreviations 'HK$m' and 'HK$bn' represent millions and billions of Hong Kong dollars respectively.

Comment by Irene Lee, Chairman

As the largest local bank in Hong Kong, the success of our business is inextricably linked to the complexities affecting the local economy. Last year we faced difficult challenges but also saw positive signs of the resilience of Hong Kong.

Within this context, we have strengthened our cross-boundary services to better meet the banking needs of our retail and corporate customers. With new policies being introduced on both sides to stimulate economic development, the synergies of the Greater Bay Area are starting to be felt.

Concurrently, we have been helping the city enhance its status as the super-connector between mainland China and the rest of the world. Hang Seng Investment Management Limited has partnered with Saudi Arabia's SAB Invest to enable investors in the Middle East to access Hong Kong's capital markets.

Our commitment to improving the local community and contributing to its development has been evidenced through multiple initiatives including making available banking services to families in transitional housing. Additionally, many youth and education programmes have been launched focusing on financial literacy and inclusion. Improving awareness on fraud risks to protect our customers and their assets has also been a priority.

It's a great pleasure to note that we were recognised as 'Best Domestic Bank for the Greater Bay Area' by Euromoney. We also won the Gold Award at The Asset ESG Corporate Awards 2024.

Looking Ahead

I would like to extend a warm welcome to Catherine Zhou who was appointed as Non-executive Director with effect from October 2024. Currently the Chief Information Officer, International Wealth and Premier Banking at the HSBC Group, Catherine brings with her expertise in digital transformation.

On a final note, I wish to recognise the hard work of our colleagues who deliver exceptional customer service whilst bringing creativity and innovation to their jobs. They represent the best of everything that Hang Seng and Hong Kong stand for.

Review by Diana Cesar, Executive Director and Chief Executive

As expected, 2024 was a difficult year with continued geopolitical and macro challenges. These led to slower economic growth and sluggish performance in the trade and retail sectors, which created a tough environment for local businesses.

In response, we adapted our strategy to focus on diversifying our revenue and growing our targeted customer base. Combined with a proactive approach to de-risk our portfolio, we were able to deliver strong results and continue to grow.

More balanced revenue growth

We recorded a notable increase in non-interest income, in turn propelling decent growth in our net operating income.

Interest rates started trending down since the third quarter of last year and against a market where loan demand remained subdued, net interest income was down 5%.

Nonetheless, we made significant progress in diversifying our revenue, resulting in a 26% year-on-year increase in non-interest income, which more than offsets the decline in net interest income. This was mainly driven by strengthening of our wealth management business, with income improving 22% year-on-year.

We sustained a healthy net interest margin of 2.20% as we continued to implement our robust asset and liability management strategy.

Our affluent customer base recorded a 15% growth with new-to-bank affluent customers having increased 75% year-on-year. Investment services income was up 28% and life insurance income increased 17% compared to last year. Hang Seng became the second largest life insurer by new business premiums with the same having grown by 80% as per the latest available figures.

Cross-boundary business with integrated banking and wealth management services also delivered positive results. New account opening for retail mainland China customers jumped by 81% year-on-year.

Our operating profit increased 8% year-on-year. Profit before tax increased by more than HK$900m. Earnings per share improved by 4% and return on average ordinary shareholders' equity remained stable at 11.3%.

Proactively managing risk

As the largest domestic bank in Hong Kong, Hang Seng is closely tied to the local economy, supporting small and medium-sized enterprises ('SMEs') as well as large corporates. Due to these close links, we share many of the challenges faced by these businesses. At the same time, preserving the long-term interests of our stakeholders remains a priority.

We continue to adopt a prudent and forward-looking risk management approach.

Cash flow pressures for some of our Hong Kong commercial real estate ('HKCRE') borrowers continued because of the prolonged high interest rate environment. Our non-performing loans for the year ended at 6.12%, mainly driven by the HKCRE portfolio as borrowers sought to defer payments. That said, two-thirds of our loans are secured by strong collateral. Asset quality of the unsecured book remains stable with over 90% at investment grade. As such, we have not seen a material impact on our financial performance. Expected credit loss ('ECL') charges reduced by 24% year-on-year.

Review by Diana Cesar, Executive Director and Chief Executive (continued)

With regards to mainland China CRE, we continue to reduce our exposure. At year-end 2024, it accounted for around 2% of our total loan book.

We are satisfied that our proactive and decisive risk management approach on our Hong Kong portfolio provides us with a solid foundation which will better position us for future growth.

Investing for the future

Hang Seng has a history of more than 90 years during which time the Bank has been evolving alongside Hong Kong and contributing to the city's success. Going forward, we continue to invest in our capabilities and the community.

We are dedicating investments to upgrade our digital solutions and infrastructure. Our newly renovated Main Branch in Central features Future Banking 2.0 – a market-first 'We Come to You' service model which combines technology and the human touch. This improves servicing to our customers by enabling them to enjoy banking with the support of Smart Teller technology and other digital applications.

Financial inclusion and education through various community initiatives are also key priorities. We have developed programmes that improve financial skills, specifically for the city's youth. We have also been supporting underprivileged families in transitional housing to enhance their awareness and habits on financial management.

Another major undertaking has been the launch of our HK$33 Billion SME Power Up Fund which supports Hong Kong's SMEs. Additionally, our HK$80 Billion Sustainability Power Up Fund provides financial support to local enterprises on their green transition plans.

Outside of Hong Kong, Hang Seng Investment Management Limited collaborated with SAB Invest of Saudi Arabia to launch the SAB Invest Hang Seng ETF on the Saudi Exchange. This provides investors in the Middle East with direct access to Hong Kong's capital market. It also helps enhance Hong Kong's status as an international finance centre and a global super-connector.

Our dividends

Our continued business growth and strong capital position ensure we are well-placed to maintain a steady and healthy dividend policy.

I am pleased to announce that the Directors have declared a fourth interim dividend of HK$3.20 per share. This brings the total distribution for 2024 to HK$6.80 per share, an improvement of 4.6% year-on-year.

Financial overview

The Bank's 2024 financial performance reflects the positive outcome of the efforts made to diversify the revenue stream, mainly on non-interest income. As a result, non-interest income grew by 26% to HK$10,753m and the proportion of non-interest income to net operating income improved from 21% in 2023 to 26% in 2024.

Net fee income increased by 8% to HK$5,316m, aided by our continued strong performance in generating investment services income, mainly contributed by the growth in retail investment funds and securities broking and related services.

Review by Diana Cesar, Executive Director and Chief Executive (continued)

Net trading income, net income/(loss) from financial instruments designated at fair value through profit or loss, and changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss together recorded a gain of HK$1,044m. This is in contrast to a loss of HK$148m in 2023, and mainly reflects the higher revenue from derivatives products coupled with enhanced net interest income from trading positions and higher foreign exchange revenue generated from increased client activities.

Life insurance-related income also increased by 17% to HK$3,119m, with higher revenue generated from insurance services.

On the other hand, net interest income decreased by 5% to HK$30,784m driven mainly by subdued loan demand on the back of the high interest rate environment, and the declining rates in 2H 2024.

Compared to 31 December 2023, gross loan balances decreased by 5% whilst customer deposits rose by 7%, primarily due to the growth in our customer base mainly from new-to-bank affluent customers and mainland customers.

Net interest margin dropped 10-basis-points to 2.20% on the back of weaker loan demand where surplus liquidity has mainly been deployed into high-quality financial assets. Our liquidity coverage ratio was 301.0% as at 31 December 2024.

Net operating income before change in ECL and other credit impairment charges grew by 2% to HK$41,537m.

ECL and other credit impairment charges decreased by 24% to HK$4,773m due to the reduction in ECL charges for wholesale Stage 3 customers. As of 31 December 2024, gross impaired loans and advances as a percentage of gross loans and advances to customers was 6.12%, compared to 5.32% on 30 June 2024 and 2.83% on 31 December 2023.

Profit before tax increased by 5% year-on-year to HK$21,014m. Attributable profit also rose by 3% to HK$18,379m. Earnings per share grew by 4% to HK$9.33 per share. Return on average ordinary shareholders' equity remained stable at 11.3% for both years. Return on average total assets was 1.1%, up from 1.0% in 2023.

As of 31 December 2024, our common equity tier 1 ('CET1') capital ratio was 17.7%, tier 1 ('T1') capital ratio was 19.4%, and total capital ratio was 20.8%.

In 2024, we continued to invest in our people and technology to deliver greater operational efficiencies and enhanced customer experiences. We also made good progress in diversifying our revenue sources and building a strong capital base, which has helped support a good dividend payout. Looking ahead, we will continue, as always, to manage our costs and risks in a robust manner so as to build a solid foundation that can deliver healthy and sustainable returns to our shareholders.

Results Summary

The Group has recorded a healthy improvement in financial performance, with a substantial increase in non-interest income underscoring our dedication to broadening our revenue sources as net interest income came under growing pressure amid declining interest rates in the second half of 2024. Recent developments in credit conditions have also resulted in an increase in impaired loans and associated credit loss charges during the latter half of 2024. In light of these challenges, the Group remains vigilant and is closely monitoring the prevailing interest rate outlook and continues to seek out opportunities as the economy continues to expand at a moderate pace.

Net operating income before change in expected credit losses and other credit impairment charges was HK$41,537m, up 2%. Non-interest income increased by 26%. This rise was partly offset by the 5% decrease in net interest income. **Operating profit** increased by 8% to HK$21,558m. **Profit before tax** increased by 5% to HK$21,014m and **profit attributable to shareholders** was up by 3% at HK$18,379m.

Net interest income decreased by HK$1,511m, or 5%, to HK$30,784m. Average interest-earning assets declined by HK$9bn, or 1%, to HK$1,397bn due to subdued new loan demand at elevated interest rates throughout the year since 2023, partly offset by higher average balances in financial investments and interbank placements due to the redeployment of the commercial surplus. Net interest margin was down by 10 basis points to 2.20% attributable mainly to the narrowing of loan spreads on the back of weaker loan demand. Net interest spread reduced by 11 basis points to 1.78% while contribution from net-free funds increased by 1 basis point to 0.42%.

Figures in HK$m	**2024**	2023
Average interest-earning assets	**1,396,927**	1,406,183
Net interest spread	**1.78%**	1.89%
Net interest margin	**2.20%**	2.30%

Net fee income increased by HK$396m, or 8%, to HK$5,316m, mainly contributed by a 39% increase in retail investment funds reflecting the strong fund sales as a result of the launch of new capabilities to drive rigorous need-based wealth solutions. Income from securities broking-related services increased by 19%, reflecting the higher stock turnover in 2024.

Net income/(loss) from financial instruments measured at fair value through profit or loss decreased by HK$3,649m, or 32%, to HK$7,681m. Net trading income, net income/(loss) from financial instruments designated at fair value through profit or loss, and changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss together recorded a gain of HK$1,044m compared to a loss of HK$148m in 2023, mainly reflecting the higher revenue from derivatives products coupled with enhanced net interest income from trading positions and higher foreign exchange revenue generated from increased client activities.

Net income from assets and liabilities of the insurance business, including related derivatives, measured at fair value through profit or loss decreased by HK$4,841m to HK$6,637m; mainly reflecting fair value losses on debt securities as compared to gains in 2023 due to the opposite interest rate movement; the unfavourable impact was partially countered by the increased fair value gains on equity securities which back insurance contracts. More than 90% of the insurance businesses are accounted under the variable fee approach; as such, these fair value changes will be absorbed in the insurance contract liabilities through the line of insurance finance expense. **Insurance service results** showed an increase of HK$222m, or 11%, to HK$2,271m. This increase mainly reflected the higher release of Contractual Services Margin ('CSM') due to growth of CSM balance propelled by new business growth and favourable economic variances.

Wealth management business income (mainly investment and insurance-related income) increased by HK$1,241m, or 22%, to HK$6,934m. The increase predominantly came from investment services income, contributed by the growth in retail investment funds, securities broking and related services, and structured investment products income, as a result of the Bank's proactive approach towards pursuing cross-boundary business opportunities.

Figures in HK$m	**2024**	2023
Investment services income[1]:		
– retail investment funds	**1,330**	950
– structured investment products[2]	**673**	524
– securities broking and related services[3]	**1,507**	1,258
– margin trading and others	**58**	62
	3,568	2,794
Life insurance:		
– net interest income	**217**	95
– non-interest income/(expense)	**365**	304
– investment returns on life insurance funds (including share of associate's profits/(losses), net surplus/(deficit) on property revaluation backing insurance contracts and change in expected credit losses and other credit impairment charges)	**5,825**	11,016
– insurance finance income/(expenses)	**(5,559)**	(10,805)
– insurance service results	**2,271**	2,049
• insurance revenue	**3,377**	2,913
• insurance service expense	**(1,106)**	(864)
	3,119	2,659
General insurance and others	**247**	240
	6,934	5,693

[1] Income from retail investment funds and securities broking and related services are net of fee expenses.
[2] It includes profits generated from the selling of structured investment products in issue, which are reported under net income/(loss) from financial instruments measured at fair value through profit or loss.
[3] It includes income generated from the sales of third-party structured investment products, which is reported under net fee income.

Change in expected credit losses and other credit impairment charges decreased by HK$1,475m, or 24%, to HK$4,773m compared with 2023 mainly due to the reduction in ECL charges for wholesale Stage 3 customers by HK$1,625m.

Change in ECL for Stage 1 and Stage 2 unimpaired credit exposures reduced by HK$230m, reflecting the favourable change in the economic outlook in the retail portfolio.

Change in ECL for Stage 3 and purchased or originated credit-impaired exposures ('impaired credit exposures') decreased by HK$1,245m to HK$6,074m compared with 2023, predominantly related to the reduction in ECL charges for mainland China CRE exposures.

Total change in ECL for Wealth and Personal Banking decreased by HK$228m to HK$577m. Commercial Banking, Global Banking and Global Markets recorded reduced total change in ECL by HK$1,247m to HK$4,196m.

Gross impaired loans and advances increased from HK$24.7bn as at 31 December 2023 to HK$51bn as at 31 December 2024. This change mainly reflects downgrades net of write-offs in certain impaired corporate loans. Gross impaired loans and advances as a percentage of gross loans and advances to customers were 6.12% as of 31 December 2024, compared to 5.32% on 30 June 2024 and 2.83% at 31 December 2023.

Operating expenses increased by HK$569m, or 4%, to HK$15,193m, primarily due to the higher amortisation of intangible assets, staff costs and IT-related costs, reflecting our continuing investment in people and technology to deliver operational efficiencies and enhanced customer experiences.

Amortisation of intangible assets increased by 25%, related mainly to the development costs of capitalised IT systems to support business growth. IT-related costs also increased by 7% as we continued to enhance our digital capabilities. Staff costs increased by 2%, primarily due to higher wages and salaries, performance-related pay and increased staff insurance premium to improve employee benefits.

Full-time equivalent staff numbers by region	**At 31 December 2024**	At 31 December 2023
Hong Kong and others	**6,982**	6,997
Mainland China	**1,346**	1,497
	8,328	8,494

The cost efficiency ratio slightly increased by 0.8 percentage points to 36.6%.

Reflecting the uncertain property market, **property revaluation** decreased by HK$549m, resulting in net deficit of HK$583m. Share of profits of associates decreased by HK$154m to HK$39m, mainly reflecting the reduction of revaluation of a property investment company.

2H 2024 compared with 1H 2024

Net operating income before change in expected credit losses and other credit impairment charges grew by HK$675m, or 3%, to HK$21,106m. This growth was driven by a 17% increase in non-interest income, partly offset by a 1% drop in net interest income. Operating profit decreased by HK$1,234m, or 11%. Profit attributable to shareholders decreased by HK$1,407m, or 14%, when compared with 1H 2024.

Net interest income decreased by HK$182m, or 1%. Net interest margin was down by 16 basis points to 2.13%. Net interest spread dropped by 11 basis points to 1.72% and contribution from free fund decreased by 5 basis points to 0.41% as a result of declining market interest rates in 2H 2024.

Non-interest income was up HK$857m, or 17%, primarily reflecting higher foreign exchange income, dividend income, and increased levels of customer activity across the Group's fee-generating businesses. This included notably higher income from retail investment funds and securities broking-related services.

Operating expenses increased by HK$147m, or 2%, driven mainly by higher general and administrative expenses, partly offset by the decrease in staff costs. The Group will continue to proactively manage operating expenses to enable the continuous allocation of resources towards further optimising its digital capabilities and enhancing the customer experience.

Total change in ECL increased by HK$1,773m to HK$3,273m, due to higher charges for impaired credit exposures, which recorded net charges for both periods – HK$3,718m for 2H 2024 and HK$2,356m for 1H 2024 – mainly reflecting the ratings downgrade of certain corporate customers. Additionally, there were lower net releases of HK$445m for Stage 1 and 2 ECL for unimpaired credit exposures in 2H 2024, compared with the net release of HK$856m in 1H 2024.

Consolidated Balance Sheet and Key Ratios

Assets

Total assets increased by HK$103bn, or 6%, to HK$1,795bn compared with the 2023 year-end. Financial investments increased by HK$135bn, or 33%, to HK$541bn, reflecting the redeployment of higher commercial surplus.

Customer loans and advances (net of allowances for ECL) decreased by HK$41bn, or 5%, to HK$819bn. The interest rate reductions in the second half of 2024 did not lead to a recovery in loan demand. Dampened credit demand, combined with higher customer repayments, contributed to a decline in loan balances.

Loans for use in Hong Kong decreased by 3% due to the subdued loan demand and higher loan repayments under a still high interest rate environment. Lending to industrial, commercial, and financial sectors decreased by 4%, mainly due to the decline in lending for property development and property investment by 8% and 9%, respectively.

Lending to individuals decreased by 2%. With an uncertain property market, residential mortgages and Government Home Ownership Scheme/Private Sector Participation Scheme/Tenants Purchase Scheme lending reduced by 3% and 1%, respectively.

Loans for use outside Hong Kong were down by 11%, due mainly to the reduction in mainland China CRE loans.

Liabilities and equity

Customer deposits increased by HK$86bn, or 7%, to HK$1,267bn from the end of 2023. Demand, current and savings accounts as a percentage of total customer deposits decreased from 53.3% at 2023 year-end to 49.5% at 31 December 2024, reflecting the growth of our customer base. At 31 December 2024, the advances-to-deposits ratio was 64.7%, compared with 72.9% at 31 December 2023.

Figures in HK$m	**At 31 December 2024**	At 31 December 2023
Customer loans and advances (net of allowances for ECL)	**819,136**	860,406
Customer deposits, including structured deposits	**1,267,021**	1,180,611
Advances-to-deposits ratio	**64.7%**	72.9%

At 31 December 2024, shareholders' equity increased by HK$1bn, or 1%, to HK$170bn, driven by an increase in retained profits of HK$3bn, or 2%. This increase occurred despite the HK$3bn Automatic Share Buy-back Programme and the appropriation of dividends paid during the year, indicating the Group's ability to accumulate profits while still returning value to shareholders. The premises revaluation reserve was down HK$1bn, or 7%, reflecting the unfavourable movement in the commercial property market in Hong Kong during the year.

Key ratios

Return on average total assets was 1.1% (1.0% for 2023). **Return on average ordinary shareholders' equity** was 11.3% (11.3% for 2023).

At 31 December 2024, the **CET1 capital ratio**, **T1 capital ratio** and **total capital ratio** were 17.7%, 19.4% and 20.8%, respectively, well above the regulatory requirement.

Under the Banking (Liquidity) Rules, the average **liquidity coverage ratio ('LCR')** ranged from 276.8% to 335.2% for the quarters ended 31 March, 30 June, 30 September and 31 December 2024. The average LCR ranged from 240.1% to 276.7% for the corresponding quarters in 2023. For both years, the Group maintained a strong average LCR that was higher than the statutory requirement of 100%. The LCR on 31 December 2024 was 301.0% compared with 260.7% on 31 December 2023. The period-end **net stable funding ratio ('NSFR')** ranged from 168.2% to 181.0% for the quarters ended 31 March, 30 June, 30 September and 31 December 2024, more than the regulatory requirement of 100%. The period-end NSFR ranged from 161.4% to 168.4% for the corresponding quarters in 2023.

Dividends

The Directors have declared a fourth interim dividend of HK$3.20 per share, which will be payable on 27 March 2025 to shareholders on the register as of 6 March 2025. Together with the interim dividends for the first three quarters, the total distribution for 2024 will be HK$6.80 per share.

Figures in HK$m	Wealth and Personal Banking	Commercial Banking	Global Banking	Global Markets	Other[1]	Total
Year ended 31 December 2024						
Net interest income/(expense)	**16,972**	**8,762**	**2,698**	**1,804**	**548**	**30,784**
Net fee income/(expense)	**3,479**	**1,165**	**295**	**(53)**	**430**	**5,316**
Net income/(loss) from financial instruments measured at fair value through profit or loss	**6,795**	**294**	**(4)**	**1,410**	**(814)**	**7,681**
Gains less losses from financial investments	**—**	**—**	**—**	**53**	**—**	**53**
Dividend income	**6**	**—**	**—**	**—**	**201**	**207**
Insurance finance income/(expenses)	**(5,559)**	**—**	**—**	**—**	**—**	**(5,559)**
Insurance service results	**2,271**	**—**	**—**	**—**	**—**	**2,271**
– Insurance revenue	**3,377**	**—**	**—**	**—**	**—**	**3,377**
– Insurance service expense	**(1,106)**	**—**	**—**	**—**	**—**	**(1,106)**
Other operating income/(loss)	**300**	**5**	**2**	**—**	**477**	**784**
Net operating income before change in expected credit losses and other credit impairment charges	**24,264**	**10,226**	**2,991**	**3,214**	**842**	**41,537**
– External	**947**	**8,404**	**8,813**	**22,483**	**890**	**41,537**
– Inter-segment	**23,317**	**1,822**	**(5,822)**	**(19,269)**	**(48)**	**—**
Change in expected credit losses and other credit impairment charges	**(577)**	**(3,926)**	**(270)**	**—**	**—**	**(4,773)**
Net operating income	**23,687**	**6,300**	**2,721**	**3,214**	**842**	**36,764**
Operating expenses	**(9,083)**	**(3,609)**	**(848)**	**(739)**	**(914)**	**(15,193)**
Impairment loss on intangible assets	**—**	**—**	**—**	**—**	**(13)**	**(13)**
Operating profit/(loss)	**14,604**	**2,691**	**1,873**	**2,475**	**(85)**	**21,558**
Net surplus/(deficit) on property revaluation	**—**	**—**	**—**	**—**	**(583)**	**(583)**
Share of profits/(losses) of associate	**39**	**—**	**—**	**—**	**—**	**39**
Profit/(loss) before tax	**14,643**	**2,691**	**1,873**	**2,475**	**(668)**	**21,014**
Share of profit/(loss) before tax	**69.7%**	**12.8%**	**8.9%**	**11.8%**	**(3.2%)**	**100.0%**
As at 31 December 2024						
Total assets	**613,587**	**259,991**	**197,337**	**708,388**	**15,893**	**1,795,196**
– of which: Gross loans and advances to customers	**386,481**	**259,245**	**183,966**	**2,417**	**—**	**832,109**
Total liabilities	**1,161,191**	**281,270**	**50,983**	**109,224**	**22,964**	**1,625,632**
– of which: Customer deposits[2]	**948,064**	**270,284**	**48,673**	**—**	**—**	**1,267,021**
Interest in an associate	**2,321**	**—**	**—**	**—**	**—**	**2,321**
Non-current assets acquired during the year	**221**	**26**	**4**	**1**	**1,496**	**1,748**
Year ended 31 December 2024						
Net fee income/(expense) by segment						
– securities broking and related services	**1,436**	**73**	**—**	**17**	**—**	**1,526**
– retail investment funds	**1,333**	**17**	**—**	**—**	**—**	**1,350**
– insurance	**52**	**164**	**82**	**—**	**—**	**298**
– account services	**320**	**154**	**9**	**1**	**—**	**484**
– remittances	**44**	**172**	**30**	**—**	**—**	**246**
– cards	**3,045**	**27**	**—**	**—**	**(9)**	**3,063**
– credit facilities	**11**	**225**	**123**	**—**	**—**	**359**
– imports/exports	**—**	**215**	**20**	**—**	**—**	**235**
– other	**57**	**143**	**35**	**13**	**439**	**687**
Fee income	**6,298**	**1,190**	**299**	**31**	**430**	**8,248**
Fee expense	**(2,819)**	**(25)**	**(4)**	**(84)**	**—**	**(2,932)**
	3,479	**1,165**	**295**	**(53)**	**430**	**5,316**

Figures in HK$m	Wealth and Personal Banking	Commercial Banking	Global Banking	Global Markets	Other[1]	Total
Year ended 31 December 2023						
Net interest income/(expense)	17,324	9,364	2,709	1,162	1,736	32,295
Net fee income/(expense)	3,091	1,165	313	(38)	389	4,920
Net income/(loss) from financial instruments measured at fair value through profit or loss	11,510	167	(46)	1,292	(1,593)	11,330
Gains less losses from financial investments	—	—	—	(3)	—	(3)
Dividend income	—	—	—	—	253	253
Insurance finance income/(expenses)	(10,805)	—	—	—	—	(10,805)
Insurance service results	2,049	—	—	—	—	2,049
– Insurance revenue	2,913	—	—	—	—	2,913
– Insurance service expense	(864)	—	—	—	—	(864)
Other operating income/(loss)	471	6	1	—	305	783
Net operating income before change in expected credit losses and other credit impairment charges	23,640	10,702	2,977	2,413	1,090	40,822
– External	3,107	11,777	8,473	17,828	(363)	40,822
– Inter-segment	20,533	(1,075)	(5,496)	(15,415)	1,453	—
Change in expected credit losses and other credit impairment charges	(805)	(4,664)	(783)	4	—	(6,248)
Net operating income	22,835	6,038	2,194	2,417	1,090	34,574
Operating expenses	(8,642)	(3,596)	(786)	(740)	(860)	(14,624)
Impairment loss on intangible assets	—	—	—	—	(4)	(4)
Operating profit/(loss)	14,193	2,442	1,408	1,677	226	19,946
Net surplus/(deficit) on property revaluation	—	—	—	—	(34)	(34)
Share of profits/(losses) of associate	193	—	—	—	—	193
Profit/(loss) before tax	14,386	2,442	1,408	1,677	192	20,105
Share of profit/(loss) before tax	71.6%	12.1%	7.0%	8.3%	1.0%	100.0%
As at 31 December 2023						
Total assets	605,718	278,658	207,882	578,704	21,132	1,692,094
– of which: Gross loans and advances to customers	399,878	278,055	196,106	—	—	874,039
Total liabilities	1,066,147	266,297	60,266	101,330	29,870	1,523,910
– of which: Customer deposits[2]	867,583	255,937	57,091	—	—	1,180,611
Interest in an associate	2,363	—	—	—	—	2,363
Non-current assets acquired during the year	144	22	3	2	1,579	1,750
Year ended 31 December 2023						
Net fee income/(expense) by segment						
– securities broking and related services	1,190	65	1	21	—	1,277
– retail investment funds	955	13	—	—	—	968
– insurance	130	153	74	—	—	357
– account services	314	143	7	1	—	465
– remittances	50	162	35	—	—	247
– cards	3,080	27	—	—	—	3,107
– credit facilities	16	246	132	—	—	394
– imports/exports	—	228	26	—	—	254
– other	153	153	42	23	389	760
Fee income	5,888	1,190	317	45	389	7,829
Fee expense	(2,797)	(25)	(4)	(83)	—	(2,909)
	3,091	1,165	313	(38)	389	4,920

[1] Including inter-segment elimination, of which total assets amounted to HK$33.7bn as at 31 December 2024 (HK$29.0bn as at 31 December 2023) and total liabilities amounted to HK$24.2bn as at 31 December 2024 (HK$19.5bn as at 31 December 2023).

[2] Customer deposits balances include current, savings and other deposit accounts, as well as structured deposits.

Wealth and Personal Banking ('WPB') recorded a 3% year-on-year increase in net operating income before change in ECL and other credit impairment charges to HK$24,264m. This was driven by growth in non-interest income, which was up by 15% year-on-year. Operating profit increased by 3% to HK$14,604m and profit before tax increased by 2% year-on-year at HK$14,643m. Through enhancing product capability and services, and aided by stronger market sentiment during the year, our wealth management business showed a 20% growth in income year-on-year and 38% growth in 2H 2024 as compared with 2H 2023. Our deposit balance increased by 9% compared to last year. As part of our portfolio diversification, non-Hong Kong dollar deposits grew by 17% year-on-year backed by a 21% increase in customers with FX transactions.

Customer growth remains one of our key strategic priorities; we achieved a 15% year-on-year increase in our affluent client segments with new-to-bank customers up 75% year-on-year. Hang Seng's dedication to exceptional customer service was recognised at the Hong Kong Customer Contact Association Awards 2024 and our Contact Centre was honoured with the prestigious Grand Award of the Year. Hang Seng was also recognised as the 'Domestic Retail Bank of the Year' at the Asian Banking & Finance ('ABF') Retail Banking Awards and as the 'Retail Bank of the Year' at the Bloomberg Businessweek Financial Institution Awards. We continued to invest in growing our affluent client segments by meeting their personal and family wealth management needs, and our Prestige Family + account opening increased by 41% year-on-year. New compelling features were introduced this year, including the brand-new Global Money + service enabling express fee-free international transfer to over 50 countries in their local currencies and the Prestige Multi-currency Debit Card allowing transactions in 12 major currencies when travelling abroad. Continual growth in the affluent customer base contributed to an 11% increase in our wealth management income in 2H 2024 compared with 1H 2024.

To meet the growing demand for wealth management services in the Greater Bay Area ('GBA'), we now have nine cross-boundary Wealth Management Centres in key GBA cities. Hang Seng was also recognised as the 'Best Domestic Bank for the Greater Bay Area' at the Euromoney Greater Bay Area Awards 2024. Following the launch of the express account opening journey this year for Mainlanders, new account openings by Mainlanders increased by 81% year-on-year.

Strong growth in the wealth management business was observed especially in investment services with income growing 24% year-on-year. The growth was fuelled by enhanced digital capabilities such as the launch of Capital Protected Investment Deposits and Structured Notes journeys on mobile, and new financial planning tools with Wealth Master for portfolio analysis and goal-based wealth planning journeys. These initiatives contributed to a 324% year-on-year increase in investment account openings and significant growth of our mobile-active customer base by 12% year-on-year.

Our insurance business achieved 23% year-on-year growth in Contractual Service Margin ('CSM') balance (excluding reinsurance contracts held), reaching HK$26bn, mainly driven by strong new business growth. In Q3 2024, Hang Seng achieved a 80% year-on-year growth in Life Insurance New Business Premium and was ranked in 2nd position as a life insurer. To provide customers with enhanced medical insurance products, Hang Seng and HSBC Life (International) Limited entered into an exclusive 15-year distribution agreement starting 1 November 2024.

Hang Seng Investment Management Limited ('HSVM'), with its strong asset management capabilities, successfully launched our first two co-branded fixed income ETFs in partnership with CMS Asset Management (HK), while leveraging CMS's extensive client base in mainland China to capture business opportunities under Wealth Management Connect ('WMC'). Our investment coverage has been further expanded to the US and Japan markets through the introduction of two additional ETFs tracking the S&P500 and TOPIX 100 indexes. To further extend HSVM's footprint beyond Hong Kong and mainland China, HSVM has collaborated with SAB Invest, a subsidiary of the Saudi Awwal Bank in Saudi Arabia, for listing an ETF that fully invests in the Tracker Fund of Hong Kong ('TraHK') on the Tadawul Exchange. The strategic move demonstrated HSVM's dedication to driving the growth of Hong Kong's financial market and strengthening the city's position as a global financial hub. As the largest ETF manager in Hong Kong, the overall assets under management ('AUM') of HSVM and TraHK both reached record highs during the second half of 2024. By the end of 2024, they increased by 4.5% and 7.6% year-on-year respectively.

The public's concerns for safety and fraud prevention remains at the core of our design ethos. Our mobile app has been strengthened with security measures as per HKMA guidelines. The Bank also actively supports HKMA's innovative initiatives, such as participating in the HKMA Interbank Account Data Sharing ('IADS') and has been selected to participate in HKMA's Generative Artificial Intelligence Sandbox initiative with a dedicated use case on fraud management.

Commercial Banking ('CMB') recorded a decline of 4% on net operating income before change in ECL and other credit impairment charges to HK$10,226m. Both operating profit and profit before tax increased by 10% to HK$2,691m.

Under the persistently high interest rate environment, customers tended to accelerate loan repayments and had less appetite for loan drawdowns, leading to a year-on-year decrease of 6% on interest income. On the other hand, we diversified our non-interest income stream, which contributed to a growth of 9% compared against last year. Our continuous support for our customers in their daily operations through convenient, safe, and tailor-made payment solutions led to a 6% year-on-year growth in related income and a 6% uplift in our customer deposit balances against last year-end. We captured the market window to grow our wealth management business, where sales of investment funds and structured products increased by 47%.

We continue to deliver tailored solutions and accessible resources that address the unique challenges of local small and medium-sized enterprises ('SMEs'). We launched the HK$33 Billion SME Power Up Fund. This proactive move corresponds with the Hong Kong SAR Government's supportive measures for SMEs, empowering our customers with various financing solutions and enabling their business growth in Hong Kong as well as the GBA.

Moreover, to capture business opportunities stemming from growing demand across the GBA and better support our customers, the cross-boundary connectivity between CMB Hong Kong and mainland China subsidiary was strengthened in 2024, contributing 9% of the total loan drawdown in Hong Kong.

We have embraced fintech to provide innovative banking services and simplify the loan application process. Our customers can now enjoy a fully digitalised loan application process with an approval-in-principle result received in as fast as 10 seconds, and execute loan documents via digital ID verification and e-Sign function with Time to Cash as fast as five working days. We are also one of the first batch of participating banks in HKMA's IADS initiative, which enables faster interbank account data retrieval upon customer consent and further streamlines the loan assessment process.

We launched the HK$80 Billion Sustainability Power Up Fund, which offers diversified green and sustainable financing solutions to businesses across sectors. The SME Green Equipment Financing Assessment Platform launched in partnership with the Hong Kong Quality Assurance Agency ('HKQAA') further provides faster and more affordable Green Equipment Financing assessment services exclusively for Hang Seng's commercial customers.

Our Business e-Banking service continued to be enhanced beyond daily transaction banking management capabilities. Customers can now enjoy improved digital engagement experiences by knowing more about their 'best-fit' banking solutions and exclusive offers from the Bank, leading to a year-on-year growth in active mobile and internet banking users by 24% and 6%, respectively.

We have been recognised as 'Commercial Bank of 2024 – Excellence' and 'Commercial Bank in GBA – Excellence' and for 'SME Engagement – Outstanding' at the Bloomberg Businessweek Financial Institution Awards 2024. We were also awarded 'Hong Kong Domestic Trade Finance Bank of the Year' and 'Hong Kong Domestic Digital Payment Initiative of the Year' at the ABF Wholesale Banking Awards 2024. The Hong Kong Institute of Marketing also commended us as the 'Hong Kong Power Brand in Commercial Banking' at its Power Brand Awards 2024.

Global Banking ('GB') reported a 0.5% year-on-year increase in net operating income before change in ECL and other credit impairment charges to HK$2,991m. Change in ECL decreased by 66% or HK$513m compared against 2023 with the de-risking of mainland China CRE exposure. Profit before tax increased by 33% to HK$1,873m.

We have diversified our revenue stream through timely and increased sales activities to capture business opportunities, resulting in 9% growth in non-interest income. Impacted by softened loan demand in the market, our customer loans and advances declined by 6% as compared to last year. However, we remain dedicated to serving our customers with tailored financing solutions. Our bond assets under management increased by 62%.

By leveraging our strong cross-boundary connections, we have delivered integrated banking, wealth management, and advisory services tailored to the specific needs of large corporations in both Hong Kong and mainland China. Our dedication to improving operational efficiencies for clients across various sectors has been further highlighted by our innovative digital cash management solutions, designed to meet their unique requirements.

In line with our dedication to sustainability, we have adopted a client-focused approach by offering comprehensive sustainable finance solutions to help our clients transition to low-carbon operations.

Global Markets ('GM') net operating income before change in ECL increased by 33% to HK$3,214m. Operating profit and profit before tax both grew by 48% to HK$2,475m.

Net interest income recorded year-on-year growth of 55% due to the reinvestment for higher yield. The Markets Treasury team explored market opportunities, and actively managed and diversified its portfolio while upholding prudent risk management standards.

Non-interest income remained stable while Foreign Exchange and Option Trading achieved solid revenue growth of 69% year-on-year. Besides successfully managing market volatility and capturing opportunities, we enhanced customer experience by extending trading hours of Capital Protected Investment and elevated the transaction volume by 46% year-on-year. We deepened GM product penetration among Bank customers through close collaboration with the WPB, CMB, and GB teams. Particularly, we promoted foreign exchange business through collaboration with other business units and achieved 18% growth in our Bank-wide Sales foreign exchange revenue. We also continued to expand our client segment for Repo Trading, with the number of active clients increasing 30% year-on-year, and achieved 6% growth in revenue.

Figures in HK$m	Notes	**Year ended 31 December 2024**	Year ended 31 December 2023
Interest income[1]		**61,277**	59,439
Interest expense		**(30,493)**	(27,144)
Net interest income	1	**30,784**	32,295
Fee income		**8,248**	7,829
Fee expense		**(2,932)**	(2,909)
Net fee income	2	**5,316**	4,920
Net income/(loss) from financial instruments measured at fair value through profit or loss	3	**7,681**	11,330
Gains less losses from financial investments		**53**	(3)
Dividend income		**207**	253
Insurance finance income/(expenses)		**(5,559)**	(10,805)
Insurance service results		**2,271**	2,049
– Insurance revenue		**3,377**	2,913
– Insurance service expense		**(1,106)**	(864)
Other operating income/(loss)	4	**784**	783
Net operating income before change in expected credit losses and other credit impairment charges		**41,537**	40,822
Change in expected credit losses and other credit impairment charges	5	**(4,773)**	(6,248)
Net operating income		**36,764**	34,574
Employee compensation and benefits		**(5,918)**	(5,795)
General and administrative expenses		**(6,142)**	(5,980)
Depreciation expenses		**(1,963)**	(1,915)
Amortisation of intangible assets		**(1,170)**	(934)
Operating expenses	6	**(15,193)**	(14,624)
Impairment loss on intangible assets		**(13)**	(4)
Operating profit		**21,558**	19,946
Net surplus/(deficit) on property revaluation		**(583)**	(34)
Share of profits/(losses) of associate		**39**	193
Profit before tax		**21,014**	20,105
Tax expense	7	**(2,645)**	(2,267)
Profit for the year		**18,369**	17,838
Profit attributable to:			
Shareholders of the Bank		**18,379**	17,848
Non-controlling interests		**(10)**	(10)
(Figures in HK$)			
Earnings per share - basic and diluted	8	**9.33**	8.97

[1] Interest income is calculated using the effective interest method and comprises interest recognised on financial assets measured at either amortised cost or fair value through other comprehensive income.

Details of dividends payable to shareholders of the Bank attributable to the profit for the year are set out on page 26 (Note 9).

Figures in HK$m	**Year ended 31 December 2024**	Year ended 31 December 2023
Profit for the year	**18,369**	17,838
Other comprehensive income		
Items that will be reclassified subsequently to the profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income ('FVOCI') reserve:		
– fair value gains/(losses) taken to equity	**272**	814
– fair value (gains)/losses transferred to the income statement:		
— on hedged items	**31**	(390)
— on disposal	**(53)**	3
– expected credit losses/(recoveries) recognised in the income statement	**2**	(3)
– deferred taxes	**(51)**	(70)
Cash flow hedge reserve:		
– fair value gains/(losses) taken to equity	**4,896**	944
– fair value (gains)/losses transferred to the income statement	**(4,961)**	(82)
– deferred taxes	**11**	(142)
Exchange differences on translation of:		
– financial statements of overseas branches, subsidiaries and an associate	**(520)**	(449)
Items that will not be reclassified subsequently to the profit or loss:		
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk:		
– fair value gains/(losses) taken to equity	**(2)**	11
– deferred taxes	**—**	(2)
Equity instruments designated at FVOCI:		
– fair value gains/(losses) taken to equity	**418**	(548)
Premises:		
– unrealised surplus/(deficit) on revaluation of premises	**(722)**	976
– deferred taxes	**118**	(163)
Defined benefit plans:		
– actuarial gains/(losses) on defined benefit plans	**402**	89
– deferred taxes	**(66)**	(15)
Others	**—**	242
Other comprehensive income for the year, net of tax	**(225)**	1,215
Total comprehensive income for the year	**18,144**	19,053
Total comprehensive income for the year attributable to:		
– shareholders of the Bank	**18,154**	19,063
– non-controlling interests	**(10)**	(10)
	18,144	19,053

Figures in HK$m	Notes	**2024**	2023
ASSETS			
Cash and balances at central banks		**10,433**	10,564
Trading assets	11	**39,640**	44,018
Derivative financial instruments		**20,201**	14,959
Financial assets mandatorily measured at fair value through profit or loss	12	**164,557**	156,872
Reverse repurchase agreements – non-trading		**33,479**	30,202
Placings with and advances to banks		**76,221**	83,756
Loans and advances to customers	13	**819,136**	860,406
Financial investments	15	**541,155**	405,792
Interest in an associate		**2,321**	2,363
Investment properties		**11,220**	12,000
Premises, plant and equipment		**24,943**	27,075
Intangible assets		**4,465**	4,335
Other assets		**47,425**	39,752
Total assets		**1,795,196**	1,692,094
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks		**14,279**	19,707
Current, savings and other deposit accounts	16	**1,238,224**	1,153,062
Repurchase agreements – non-trading		**19,387**	12,767
Trading liabilities		**18,093**	35,227
Derivative financial instruments		**13,517**	14,478
Financial liabilities designated at fair value	17	**38,636**	45,633
Certificates of deposit in issue		**4,948**	9,857
Other liabilities		**57,399**	33,759
Insurance contract liabilities		**188,481**	167,264
Current tax liabilities		**1,476**	990
Deferred tax liabilities		**3,717**	3,675
Subordinated liabilities		**27,475**	27,491
Total liabilities		**1,625,632**	1,523,910
Equity			
Share capital		**9,658**	9,658
Retained profits		**129,390**	126,624
Other equity instruments		**11,587**	11,744
Other reserves		**18,887**	20,105
Total shareholders' equity	18	**169,522**	168,131
Non-controlling interests		**42**	53
Total equity		**169,564**	168,184
Total equity and liabilities		**1,795,196**	1,692,094

For the year ended 31 December 2024

				Other reserves							
Figures in HK$m	**Share capital**	**Other equity instruments**	**Retained profits[1]**	**Premises revaluation reserve**	**Financial assets at FVOCI reserve**	**Cash flow hedge reserve**	**Foreign exchange reserve**	**Others[2]**	**Total shareholders' equity**	**Non-controlling interests**	**Total equity**
At 1 January 2024	**9,658**	**11,744**	**126,624**	**18,525**	**1,579**	**(96)**	**(571)**	**668**	**168,131**	**53**	**168,184**
Profit for the year	—	—	**18,379**	—	—	—	—	—	**18,379**	**(10)**	**18,369**
Other comprehensive income (net of tax)	—	—	**336**	**(604)**	**619**	**(54)**	**(520)**	**(2)**	**(225)**	—	**(225)**
Debt instruments at FVOCI	—	—	—	—	**201**	—	—	—	**201**	—	**201**
Equity instruments designated at FVOCI	—	—	—	—	**418**	—	—	—	**418**	—	**418**
Cash flow hedges	—	—	—	—	—	**(54)**	—	—	**(54)**	—	**(54)**
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	**(2)**	**(2)**	—	**(2)**
Property revaluation	—	—	—	**(604)**	—	—	—	—	**(604)**	—	**(604)**
Actuarial gains on defined benefit plans	—	—	**336**	—	—	—	—	—	**336**	—	**336**
Others	—	—	—	—	—	—	**(520)**	—	**(520)**	—	**(520)**
Total comprehensive income for the year	—	—	**18,715**	**(604)**	**619**	**(54)**	**(520)**	**(2)**	**18,154**	**(10)**	**18,144**
Redemption and repayment of AT1 capital instruments[3]	—	**(11,744)**	—	—	—	—	—	—	**(11,744)**	—	**(11,744)**
Issue of new AT1 capital instruments[3]	—	**11,587**	—	—	—	—	—	—	**11,587**	—	**11,587**
Dividends paid[4]	—	—	**(12,923)**	—	—	—	—	—	**(12,923)**	—	**(12,923)**
Coupon paid on AT1 capital instruments	—	—	**(699)**	—	—	—	—	—	**(699)**	—	**(699)**
Movement in respect of share-based payment arrangements	—	—	**(9)**	—	—	—	—	**(9)**	**(18)**	—	**(18)**
Share buy-back[5]	—	—	**(3,006)**	—	—	—	—	—	**(3,006)**	—	**(3,006)**
Others	—	—	**40**	—	—	—	—	—	**40**	**(1)**	**39**
Transfers[6]	—	—	**648**	**(648)**	—	—	—	—	—	—	—
At 31 December 2024	**9,658**	**11,587**	**129,390**	**17,273**	**2,198**	**(150)**	**(1,091)**	**657**	**169,522**	**42**	**169,564**

1 Retained profits are the cumulative net earnings of the Group that have not been paid out as dividends, but retained to be reinvested in the business. To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Group is required to earmark a 'regulatory reserve' from retained profits. Movements in the reserve are made directly through retained earnings. As at 31 December 2024, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Group to shareholders by HK$734m.
2 Other reserves comprise share-based payment reserve and own credit risk reserve. The share-based payment reserve is used to record the amount relating to share awards and options granted to employees of the Group by the ultimate holding company. The own credit risk reserve is for the change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk.
3 The Bank has redeemed and repaid the AT1 capital instrument of US$600m and issued new AT1 capital instrument of US$600m in June 2024 and has redeemed and repaid another AT1 capital instrument of US$900m and issued new AT1 capital instrument of US$900m in September 2024.
4 Dividends paid represented the payment of fourth interim dividend of 2023 and the first three interim dividends of 2024 amounted to HK$6,118m and HK$6,805m respectively.
5 In April 2024, the Bank announced an automatic share buy-back programme of up to HK$3.0bn, which was completed in September 2024.
6 This includes transfers from the premises revaluation reserve to retained earnings in relation to depreciation of revalued properties.

For the year ended 31 December 2023

Figures in HK$m	Share capital	Other equity instruments	Retained profits[1]	Other reserves: Premises revaluation reserve	Other reserves: Financial assets at FVOCI reserve	Other reserves: Cash flow hedge reserve	Other reserves: Foreign exchange reserve	Other reserves: Others[2]	Total shareholders' equity	Non-controlling interests	Total equity
At 1 January 2023	9,658	11,744	118,717	18,338	1,737	(816)	(122)	677	159,933	65	159,998
Profit for the year	—	—	17,848	—	—	—	—	—	17,848	(10)	17,838
Other comprehensive income (net of tax)	—	—	316	813	(194)	720	(449)	9	1,215	—	1,215
Debt instruments at FVOCI	—	—	—	—	354	—	—	—	354	—	354
Equity instruments designated at FVOCI	—	—	—	—	(548)	—	—	—	(548)	—	(548)
Cash flow hedges	—	—	—	—	—	720	—	—	720	—	720
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	9	9	—	9
Property revaluation	—	—	—	813	—	—	—	—	813	—	813
Actuarial gains on defined benefit plans	—	—	74	—	—	—	—	—	74	—	74
Others	—	—	242	—	—	—	(449)	—	(207)	—	(207)
Total comprehensive income for the year	—	—	18,164	813	(194)	720	(449)	9	19,063	(10)	19,053
Dividends paid[3]	—	—	(10,133)	—	—	—	—	—	(10,133)	—	(10,133)
Coupon paid on AT1 capital instruments	—	—	(708)	—	—	—	—	—	(708)	—	(708)
Movement in respect of share-based payment arrangements	—	—	(6)	—	—	—	—	(18)	(24)	—	(24)
Others	—	—	—	—	—	—	—	—	—	(2)	(2)
Transfers[4]	—	—	590	(626)	36	—	—	—	—	—	—
At 31 December 2023	9,658	11,744	126,624	18,525	1,579	(96)	(571)	668	168,131	53	168,184

1 Retained profits are the cumulative net earnings of the Group that have not been paid out as dividends, but retained to be reinvested in the business. To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Group is required to earmark a 'regulatory reserve' from retained profits. Movements in the reserve are made directly through retained earnings. As at 31 December 2023, the Group was not required to restrict any reserves which can be distributed to shareholders as the impairment allowance for Stage 1 and 2 loans and advances to customers exceeded the required regulatory reserve balance.

2 Other reserves comprise share-based payment reserve and own credit risk reserve. The share-based payment reserve is used to record the amount relating to share awards and options granted to employees of the Group by the ultimate holding company. The own credit risk reserve is for the change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk.

3 Dividends paid represented the payment of fourth interim dividend of 2022 and the first three interim dividends of 2023 amounted to HK$3,824m and HK$6,309m respectively.

4 This included transfers from the premises revaluation reserve to retained earnings in relation to depreciation of revalued properties, and from financial assets at FVOCI reserve to retained earnings in relation to the disposal loss of equity investments at FVOCI.

Notes to the Financial Statements

1. Net interest income

Figures in HK$m

	2024	2023
Interest income arising from:		
– financial assets measured at amortised cost	**47,539**	48,879
– financial assets measured at FVOCI	**13,738**	10,560
	61,277	59,439
Interest expense arising from financial liabilities measured at amortised cost	**(30,493)**	(27,144)
Net interest income	**30,784**	32,295

2. Net fee income

Figures in HK$m

	2024	2023
– securities broking and related services	**1,526**	1,277
– retail investment funds	**1,350**	968
– insurance	**298**	357
– account services	**484**	465
– remittances	**246**	247
– cards	**3,063**	3,107
– credit facilities	**359**	394
– imports/exports	**235**	254
– other	**687**	760
Fee income	**8,248**	7,829
Fee expense	**(2,932)**	(2,909)
	5,316	4,920

Notes to the Financial Statements (continued)

3. Net income/(loss) from financial instruments measured at fair value through profit or loss

Figures in HK$m	**2024**	2023
Net trading income	**2,978**	1,632
– trading income	**2,982**	1,646
– other trading expense from ineffective fair value hedges	**(4)**	(14)
Net income/(expense) from financial instruments designated at fair value through profit or loss	**(1,976)**	(1,763)
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**6,637**	11,478
– financial assets/liabilities held to meet liabilities under insurance contracts	**6,646**	11,476
– liabilities to customers under investment contracts	**(9)**	2
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**42**	(17)
	7,681	11,330

4. Other operating income/(loss)

Figures in HK$m	**2024**	2023
Rental income from investment properties	**353**	334
Income/(expenses) arising from reinsurance contracts held	**336**	231
Net losses from disposal of fixed assets	**(9)**	(7)
Others	**104**	225
	784	783

Notes to the Financial Statements (continued)

5. Change in expected credit losses and other credit impairment charges

Figures in HK$m

	2024	2023
Loans and advances to banks and customers	**4,825**	6,304
– new allowances net of allowance releases	**4,921**	6,420
– recoveries of amounts previously written off	**(179)**	(229)
– other movements	**83**	113
Loan commitments and guarantees	**(26)**	(65)
Other financial assets	**(26)**	9
	4,773	6,248

6. Operating expenses

Figures in HK$m

	2024	2023
Employee compensation and benefits:		
– salaries and other costs*	**6,306**	5,986
– retirement benefit costs	**496**	506
— of which: defined benefit scheme	**116**	134
— of which: defined contribution scheme	**380**	372
Total employee compensation and benefits	**6,802**	6,492
Less: Cost directly attributable to insurance business	**(884)**	(697)
	5,918	5,795
General and administrative expenses:		
– rental expenses	**18**	23
– other premises and equipment	**2,137**	1,998
– marketing and advertising expenses	**452**	461
– other operating expenses	**3,928**	3,813
Total general and administrative expenses	**6,535**	6,295
Less: Cost directly attributable to insurance business	**(393)**	(315)
	6,142	5,980
Depreciation of premises, plant and equipment	**1,459**	1,445
Depreciation of right-of-use assets	**504**	470
Amortisation of intangible assets	**1,170**	934
	15,193	14,624
* of which: share-based payments	**35**	36
Cost efficiency ratio	**36.6%**	35.8%

Notes to the Financial Statements (continued)

7. Tax expense

Taxation in the Consolidated Income Statement represents:

Figures in HK$m	2024	2023
Current tax - provision for Hong Kong profits tax		
– Tax for the year	**3,578**	2,604
– Adjustment in respect of prior years	**89**	(65)
Current tax - taxation outside Hong Kong		
– Tax for the year	**27**	194
– Adjustment in respect of prior years	**(67)**	(5)
Deferred tax		
– Origination and reversal of temporary differences	**(982)**	(461)
Total tax expense	**2,645**	2,267

The current tax provision is based on the estimated assessable profit for 2024, and is determined for the Bank and its subsidiaries operating in Hong Kong SAR by using the Hong Kong profits tax rate of 16.5% (the same as in 2023). For subsidiaries and branches operating in other jurisdictions, the appropriate tax rates prevailing in the relevant countries/regions are used. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

On 20 June 2023, legislation was substantively enacted in the UK, the jurisdiction of the entity’s ultimate parent entity, HSBC Holdings plc, to introduce the ‘Pillar Two’ Global Minimum Tax model rules (the ‘model rules’) of the Organisation for Economic Cooperation and Development (‘OECD’) under the Inclusive Framework on Base Erosion and Profit Shifting (‘BEPS’) and a Qualified Domestic Minimum top-up tax (‘QDMTT’), with effect from 1 January 2024.

Under these rules, a top-up tax liability arises where the effective tax rate of the Group’s operations in a jurisdiction, calculated based on principles set out in the OECD’s Pillar Two model rules, is below 15%. Any top-up tax arising in relation to jurisdictions in which a QDMTT applies will be payable to the tax authority in that jurisdiction. Where there is no QDMTT, the top-up tax is payable by HSBC Holdings plc, being the Group’s ultimate parent, to the UK tax authority.

The Hong Kong government has issued the draft Pillar Two legislations including a QDMTT, which shall be effective from 1 January 2025 once substantively enacted during 2025. Based on the Group's forecasts, a top-up tax liability is expected to arise in Hong Kong due to low effective tax rate, driven primarily by income from tax-exempt instruments. Nonetheless, the impact is dependent upon the ongoing evolution of rules and guidance in Hong Kong.

Notes to the Financial Statements (continued)

8. Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share is based on earnings of HK$17,680m (2023: HK$17,140m), which has been adjusted for the AT1 capital instrument related deductions, and on the weighted average number of ordinary shares in issue, excluding own shares held, of 1,895,522,605 shares (2023: 1,911,842,736 shares).

9. Dividends/Distributions

	2024		2023	
	HK$ per share	**HK$m**	HK$ per share	HK$m
(a) Dividends to ordinary shareholders				
First interim	**1.20**	**2,282**	1.10	2,103
Second interim	**1.20**	**2,264**	1.10	2,103
Third interim	**1.20**	**2,259**	1.10	2,103
Fourth interim	**3.20**	**6,023**	3.20	6,118
	6.80	**12,828**	6.50	12,427
(b) Distributions to holders of AT1 capital instruments classified as equity				
Coupons paid on AT1 capital instruments		**699**		708

10. Segmental analysis

Hong Kong Financial Reporting Standard 8 ('HKFRS 8') requires segmental disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segmental performance and making decisions about operating matters. To align with the internal reporting information, the Group has presented the following five reportable segments.

- **Wealth and Personal Banking** offers an extensive array of products and services tailored to the personal banking, consumer lending, and wealth management requirements of individual customers. These services typically encompass current and savings accounts, time deposits, mortgage and personal loans, credit cards, insurance, investment and a variety of wealth management options;

- **Commercial Banking** provides a comprehensive suite of products and services to corporate, commercial, and small and medium sized enterprises ('SME') clients. This includes corporate lending, trade and receivable finance, payments and cash management, treasury and foreign exchange, distribution of general and key-person insurance, investment services, and corporate wealth management;

- **Global Banking** delivers custom financial solutions to major corporate and institutional clients, utilising a long-term relationship management strategy. Services include general and transaction banking, corporate lending, deposits, and cash management;

Notes to the Financial Statements (continued)

10. Segmental analysis (continued)

- **Global Markets** offers tailored solutions and services across foreign exchange, bullion, equities, fixed income, and securities financing. It also manages the funding, liquidity position of the Group, and other market risk positions arising from banking and client activities;

- **Other** mainly represents the Group's holdings of premises apart from outlets dedicated for Wealth and Personal Banking, investment properties, equity shares and subordinated debt funding as well as central support and functional costs with associated recoveries.

(a) Segmental result

For segmental reporting purposes, revenue allocation reflects the benefits of capital and other funding resources distributed to the business segments through internal capital allocation and fund transfer pricing mechanisms. Costs of central support services and functions are allocated based on cost drivers that reflect or correlate with service usage. Premises owned by the Bank but not dedicated to WPB are included under the 'Other' segment. When these premises are utilised by business segments, a notional rent is charged to those segments with reference to market rates.

The profit before tax contributed by each business segment is detailed in the table provided. Further analysis and discussion on business segments can be found in the 'Segmental analysis' section on page 12.

Figures in HK$m	**Wealth and Personal Banking**	**Commercial Banking**	**Global Banking**	**Global Markets**	**Other**	**Total**
Year ended 31 December 2024						
Profit/(loss) before tax	**14,643**	**2,691**	**1,873**	**2,475**	**(668)**	**21,014**
Share of profit/(loss) before tax	**69.7%**	**12.8%**	**8.9%**	**11.8%**	**(3.2%)**	**100.0%**
Year ended 31 December 2023						
Profit/(loss) before tax	14,386	2,442	1,408	1,677	192	20,105
Share of profit/(loss) before tax	71.6%	12.1%	7.0%	8.3%	1.0%	100.0%

(b) Information by geographical region

The geographical regions in this analysis are classified by the location of the principal operations of the subsidiary companies or, in the case of the Bank itself, by the location of the branches responsible for reporting the results or advancing the funds. Consolidation adjustments made in preparing the Group's financial statements upon consolidation are included in the 'Inter-region elimination'.

Notes to the Financial Statements (continued)

10. Segmental analysis (continued)

(b) Information by geographical region (continued)

Figures in HK$m	Hong Kong	Mainland China	Others	Inter-region elimination	Total
Year ended 31 December 2024					
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	**39,444**	**1,952**	**160**	**(19)**	**41,537**
Profit before tax	**20,834**	**179**	**1**	**—**	**21,014**
At 31 December 2024					
Total assets	**1,702,417**	**108,673**	**18,481**	**(34,375)**	**1,795,196**
Total liabilities	**1,540,658**	**92,997**	**16,888**	**(24,911)**	**1,625,632**
Interest in an associate	**2,321**	**—**	**—**	**—**	**2,321**
Non-current assets[1]	**39,356**	**1,254**	**18**	**—**	**40,628**
Contingent liabilities and commitments	**467,970**	**62,877**	**6,047**	**(18,954)**	**517,940**
Year ended 31 December 2023					
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	38,248	2,462	191	(79)	40,822
Profit before tax	19,609	402	94	—	20,105
At 31 December 2023					
Total assets	1,597,338	106,606	17,541	(29,391)	1,692,094
Total liabilities	1,437,280	90,678	15,855	(19,903)	1,523,910
Interest in an associate	2,363	—	—	—	2,363
Non-current assets[1]	41,955	1,432	23	—	43,410
Contingent liabilities and commitments	473,284	70,910	5,842	(23,431)	526,605

[1] Non-current assets consist of investment properties, premises, plant and equipment, intangible assets and right-of-use assets.

Notes to the Financial Statements (continued)

11. Trading assets

Figures in HK$m	**2024**	2023
Treasury bills	**19,897**	18,191
Other debt securities	**19,716**	25,757
Debt securities	**39,613**	43,948
Investment funds/equity shares	**27**	33
Reverse repurchase agreements	—	37
	39,640	44,018

12. Financial assets mandatorily measured at fair value through profit or loss

Figures in HK$m	**2024**	2023
Treasury bills	**924**	1,958
Other debt securities	**112,669**	116,993
Equity shares	**12,802**	8,125
Investment funds	**37,387**	28,963
Other	**775**	833
	164,557	156,872

13. Loans and advances to customers

Figures in HK$m	**2024**	2023
Gross loans and advances to customers	**832,109**	874,039
Less: Allowances for expected credit losses	**(12,973)**	(13,633)
	819,136	860,406
Expected credit losses as a percentage of gross loans and advances to customers	**1.56%**	1.56%
Gross impaired loans and advances	**50,964**	24,749
Gross impaired loans and advances as a percentage of gross loans and advances to customers	**6.12%**	2.83%

Notes to the Financial Statements (continued)

14. Reconciliation of changes in gross carrying/nominal amount and allowances for placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees

	Non credit - impaired				Credit - impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI[1]			
Figures in HK$m	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
At 1 January 2024	**1,125,306**	**(798)**	**155,555**	**(3,840)**	**24,635**	**(9,158)**	**117**	**—**	**1,305,613**	**(13,796)**
Transfers of financial instruments:										
- transfers from Stage 1 to Stage 2	**(42,560)**	**63**	**42,560**	**(63)**	**—**	**—**	**—**	**—**	**—**	**—**
- transfers from Stage 2 to Stage 1	**37,999**	**(539)**	**(37,999)**	**539**	**—**	**—**	**—**	**—**	**—**	**—**
- transfers to Stage 3	**(4,801)**	**48**	**(32,477)**	**1,245**	**37,278**	**(1,293)**	**—**	**—**	**—**	**—**
- transfers from Stage 3	**1**	**—**	**29**	**(3)**	**(30)**	**3**	**—**	**—**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**207**	**—**	**(113)**	**—**	**(11)**	**—**	**—**	**—**	**83**
Changes due to modifications not derecognised	**—**	**—**	**—**	**—**	**(45)**	**—**	**—**	**—**	**(45)**	**—**
New financial assets originated and purchased[2]	**272,609**	**(223)**	**6,313**	**(209)**	**—**	**—**	**—**	**—**	**278,922**	**(432)**
Assets derecognised (including final repayments)	**(224,777)**	**134**	**(58,959)**	**488**	**(970)**	**13**	**—**	**—**	**(284,706)**	**635**
Changes to risk parameters - further lending/(repayments)	**(38,592)**	**163**	**13,783**	**156**	**(6,233)**	**371**	**3**	**—**	**(31,039)**	**690**
Changes to risk parameters - credit quality	**—**	**95**	**—**	**(621)**	**—**	**(4,714)**	**—**	**(33)**	**—**	**(5,273)**
Changes to model used for ECL calculation	**—**	**35**	**—**	**(125)**	**—**	**—**	**—**	**—**	**—**	**(90)**
Assets written off	**—**	**—**	**—**	**—**	**(6,317)**	**6,317**	**—**	**—**	**(6,317)**	**6,317**
Foreign exchange and others	**(4,152)**	**64**	**(439)**	**11**	**2,685**	**(1,292)**	**22**	**(21)**	**(1,884)**	**(1,238)**
At 31 December 2024	**1,121,033**	**(751)**	**88,366**	**(2,535)**	**51,003**	**(9,764)**	**142**	**(54)**	**1,260,544**	**(13,104)**

	Total
Change in ECL in income statement (charge)/ release for the year	**(4,387)**
Add: Recoveries	**179**
Add: Modification losses on contractual cash flows that did not result in derecognition	**(45)**
Add/(less): Others	**(553)**
Total ECL (charge)/ release for the year[3]	**(4,806)**

1 Purchased or originated credit-impaired ('POCI') represented distressed restructuring.
2 Includes the new financial assets originated and purchased during the year, but subsequently transferred from stage 1 to stage 2 or stage 3 at 31 December 2024.
3 The provision for ECL balance at 31 December 2024 and total ECL charges for the year does not include ECL related to other financial assets measured at amortised cost, debt instruments at FVOCI and performance and other guarantees. The corresponding total ECL balances and ECL releases amount to HK$49m and HK$33m (2023: HK$90m and charges of HK$35m) respectively.

Notes to the Financial Statements (continued)

15. Financial investments

Figures in HK$m	**2024**	2023
Financial investments measured at FVOCI		
– treasury bills	**312,094**	221,746
– other debt securities	**94,612**	79,548
– equity shares	**4,410**	4,060
	411,116	305,354
Debt instruments measured at amortised cost		
– treasury bills	**66,591**	41,293
– other debt securities	**63,451**	59,159
Less: Allowances for expected credit losses	**(3)**	(14)
	130,039	100,438
	541,155	405,792

16. Current, savings and other deposit accounts

Figures in HK$m	**2024**	2023
Current, savings and other deposit accounts:		
– as stated in Consolidated Balance Sheet	**1,238,224**	1,153,062
– structured deposits reported as financial liabilities designated at fair value	**28,797**	27,549
	1,267,021	1,180,611
By type:		
– demand and current accounts	**74,446**	82,597
– savings accounts	**552,299**	546,220
– time and other deposits	**640,276**	551,794
	1,267,021	1,180,611

17. Financial liabilities designated at fair value

Figures in HK$m	**2024**	2023
Certificates of deposit in issue	**7,549**	14,646
Structured deposits	**28,797**	27,549
Other structured debt securities in issue	**2,045**	3,174
Liabilities to customers under investment contracts	**245**	264
	38,636	45,633

Notes to the Financial Statements (continued)

18. Total shareholders' equity

Figures in HK$m	**2024**	2023
Share capital	**9,658**	9,658
Retained profits	**129,390**	126,624
Other equity instruments	**11,587**	11,744
Premises revaluation reserve	**17,273**	18,525
Cash flow hedge reserve	**(150)**	(96)
Financial assets at FVOCI reserve	**2,198**	1,579
Other reserves	**(434)**	97
Total reserves	**159,864**	158,473
Total shareholders' equity	**169,522**	168,131
Return on average ordinary shareholders' equity for the year ended	**11.3%**	11.3%

During 2024, the total number of ordinary shares repurchased and cancelled was 29,575,200. Except for the share buy-back in 2024, there was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of the Bank's listed securities during the year and 2023.

19. Contingent liabilities, contractual commitments and guarantees

Figures in HK$m	**2024**	2023
Contingent liabilities and financial guarantee contracts		
– Financial guarantees	**1,898**	1,882
– Performance and other guarantees	**20,950**	21,087
– Other contingent liabilities	**—**	4
	22,848	22,973
Commitments		
– Documentary credits and short-term trade-related transactions	**2,353**	3,422
– Forward asset purchases and forward forward deposits placed	**12,991**	15,087
– Undrawn formal standby facilities, credit lines and other commitments to lend	**479,748**	485,123
	495,092	503,632

1. Overdue loans and advances to customers

Loans and advances to customers that are more than three months overdue and their expression as a percentage of gross loans and advances to customers are as follows:

	2024		2023	
	HK$m	**%**	HK$m	%
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:				
– more than three months but not more than six months	**5,616**	**0.67**	2,416	0.28
– more than six months but not more than one year	**9,616**	**1.16**	5,321	0.61
– more than one year	**12,458**	**1.50**	7,602	0.87
	27,690	**3.33**	15,339	1.76

2. Rescheduled loans and advances to customers

Rescheduled loans and advances to customers and their expression as a percentage of gross loans and advances to customers are as follows:

	2024		2023	
	HK$m	**%**	HK$m	%
Rescheduled loans and advances to customers	**7,608**	**0.91**	2,083	0.24

3. Gross loans and advances to customers by industry sector

The analysis of gross loans and advances to customers by industry sector based on categories and definitions used by the HKMA is as follows:

Figures in HK$m	**2024**	2023
Gross loans and advances to customers for use in Hong Kong		
Industrial, commercial and financial sectors		
Property development	**50,219**	54,622
Property investment	**116,513**	127,978
Financial concerns	**3,002**	2,527
Stockbrokers	**1,009**	200
Wholesale and retail trade	**22,156**	19,879
Manufacturing	**20,747**	20,410
Transport and transport equipment	**13,275**	12,727
Recreational activities	**59**	280
Information technology	**11,680**	10,111
Other	**64,673**	67,428
	303,333	316,162
Individuals		
Loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**44,324**	44,601
Loans and advances for the purchase of other residential properties	**258,023**	265,670
Credit card loans and advances	**29,693**	30,814
Other	**31,075**	31,303
	363,115	372,388
Total gross loans and advances for use in Hong Kong	**666,448**	688,550
Trade finance	**30,506**	33,139
Gross loans and advances for use outside Hong Kong	**135,155**	152,350
Gross loans and advances to customers	**832,109**	874,039

4. Capital management

The following tables show the capital base, risk-weighted assets and capital ratios on a consolidated basis that is specified by the HKMA under the requirements of section 3C(1) of the Banking (Capital) Rules.

In accordance with the Banking (Capital) Rules under Basel III effective as of 31 December 2024, the Group used the advanced internal ratings-based ('IRB') approach to calculate its credit risk for the majority of its non-securitisation exposures. For collective investment scheme exposures, the Group used the look-through approach to calculate the risk-weighted amount. For counterparty credit risk, the Group used the standardised (counterparty credit risk) approach to calculate its default risk exposures for derivatives, and the comprehensive approach for securities financing transactions. For credit valuation adjustment ('CVA'), the Group used standardised CVA method to calculate CVA capital charge. For market risk, the Group used an internal models approach to calculate its general market risk for the risk categories of interest rate and foreign exchange (including gold) exposures and the standardised (market risk) approach for calculating other market risk positions. For operational risk, the Group used the standardised (operational risk) approach to calculate its operational risk.

The basis of consolidation for the calculation of capital ratios under the Banking (Capital) Rules follows the basis of consolidation for financial reporting with the exclusion of subsidiaries which are 'regulated financial entities' (e.g. insurance and securities companies) as defined by the Banking (Capital) Rules. The investment cost of these unconsolidated regulated financial entities is deducted from the capital base subject to certain thresholds as determined in accordance with Part 3 of the Banking (Capital) Rules.

The Basel III final reform package was implemented in Hong Kong on 1 January 2025, covering credit risk, operational risk, market risk, credit valuation adjustment and the output floor. The approaches outlined above will be updated to align with the new standards.

4. Capital management (continued)

(a) Capital base

Figures in HK$m	2024	2023
Common Equity Tier 1 ('CET1') Capital		
Shareholders' equity	**152,799**	151,744
– Shareholders' equity per balance sheet	**169,522**	168,131
– Additional Tier 1 ('AT1') perpetual capital instruments	**(11,587)**	(11,744)
– Unconsolidated subsidiaries	**(5,136)**	(4,643)
Non-controlling interests	**—**	—
– Non-controlling interests per balance sheet	**42**	53
– Non-controlling interests in unconsolidated subsidiaries	**(42)**	(53)
Regulatory deductions to CET1 capital	**(32,394)**	(29,485)
– Cash flow hedge reserve	**134**	37
– Changes in own credit risk on fair valued liabilities	**(1)**	(4)
– Property revaluation reserves[1]	**(22,736)**	(24,570)
– Regulatory reserve	**(734)**	—
– Intangible assets	**(3,498)**	(3,388)
– Defined benefit pension fund assets	**(269)**	—
– Deferred tax assets net of deferred tax liabilities	**(389)**	(481)
– Valuation adjustments	**(161)**	(153)
– Excess of total expected loss amount over total eligible provisions under the IRB approach	**(4,740)**	(926)
Total CET1 Capital	**120,405**	122,259
AT1 Capital		
Total AT1 capital before and after regulatory deductions	**11,587**	11,744
– Perpetual capital instruments	**11,587**	11,744
Total AT1 Capital	**11,587**	11,744
Total Tier 1 ('T1') Capital	**131,992**	134,003
Tier 2 ('T2') Capital		
Total T2 capital before regulatory deductions	**10,507**	11,275
– Property revaluation reserves[1]	**10,231**	11,056
– Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	**276**	219
Regulatory deductions to T2 capital	**(1,045)**	(1,045)
– Significant capital investments in unconsolidated financial sector entities	**(1,045)**	(1,045)
Total T2 Capital	**9,462**	10,230
Total Capital	**141,454**	144,233

[1] Includes the revaluation surplus on investment properties which is reported as part of retained profits and related adjustments made in accordance with the Banking (Capital) Rules issued by the HKMA.

4. Capital management (continued)

(b) Risk-weighted assets by risk type

Figures in HK$m	**2024**	2023
Credit risk	**595,975**	592,283
Market risk	**14,749**	19,898
Operational risk	**69,358**	62,088
Total	**680,082**	674,269

(c) Capital ratios (as a percentage of risk-weighted assets)

The capital ratios on a consolidated basis calculated in accordance with the Banking (Capital) Rules are as follows:

	2024	2023
CET1 capital ratio	**17.7%**	18.1%
T1 capital ratio	**19.4%**	19.9%
Total capital ratio	**20.8%**	21.4%

In addition, the capital ratios of all tiers as of 31 December 2024 would be reduced by approximately 0.9 percentage point after the prospective fourth interim dividend payment for 2024 (31 December 2023: reduced by approximately 0.9 percentage point after the prospective fourth interim dividend payment for 2023). The following table shows the pro-forma basis position of the capital ratios after the prospective interim dividend.

	Pro-forma 2024	Pro-forma 2023
CET1 capital ratio	**16.8%**	17.2%
T1 capital ratio	**18.5%**	19.0%
Total capital ratio	**19.9%**	20.5%

(d) Leverage ratio

Figures in HK$m	**2024**	2023
Leverage ratio	**8.0%**	8.5%
T1 capital	**131,992**	134,003
Exposure measure	**1,657,571**	1,568,958

5. Liquidity information

The Group is required under rule 11(1) of the Banking (Liquidity) Rules to calculate its LCR and NSFR on a consolidated basis. From 1 January 2019, the Group is required to maintain an LCR of not less than 100%. The LCR for the reportable periods are as follows:

	Average LCR for			
	Quarter ended 31 December	Quarter ended 30 September	Quarter ended 30 June	Quarter ended 31 March
2024	**335.2%**	**307.9%**	**277.2%**	**276.8%**
2023	260.6%	240.1%	245.0%	276.7%

The LCR as at 31 December 2024 was 301.0% compared with 260.7% at 31 December 2023.

The Group is required to maintain the NSFR of not less than 100% and the NSFR at the reportable quarter-end are as follows:

	Quarter ended 31 December	Quarter ended 30 September	Quarter ended 30 June	Quarter ended 31 March
2024	**181.0%**	**178.5%**	**168.2%**	**171.7%**
2023	168.4%	165.8%	161.4%	163.6%

1. Statutory financial statements and accounting policies

The financial information in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2024 on pages 17 to 32 is extracted from the statutory financial statements for the year ended 31 December 2024 which will be delivered to the Companies Registry and the HKMA. The auditor expressed an unqualified opinion on those financial statements in their report dated 19 February 2025. The auditor's report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

Except as described below, the accounting policies and methods of computation adopted by the Group for this press release are consistent with those described on pages 193 to 210 of the 2023 Annual Report.

Standards applied during the year ended 31 December 2024

There were no new standards applied during the year ended 31 December 2024. During 2024, the Group adopted a number of amendments to standards which had an insignificant effect on the consolidated financial statements of the Group.

Use of estimates and judgements

Further information on summary of material accounting policies, use of estimates and judgements and future accounting developments are set out in the accounting policies of the Group's 2024 Annual Report.

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2. Future accounting standard development

The HKICPA has published minor amendments to Hong Kong Financial Reporting Standards ('HKFRSs') that are effective from 1 January 2025, including Lack of Exchangeability (Amendments to HKAS 21). The Group expects they will have an insignificant effect, when adopted, on the consolidated financial statements.

<u>Amendments to HKFRS 9 'Financial Instruments' and HKFRS 7 'Financial Instruments: Disclosures'</u>

In August 2024, the HKICPA issued Amendments to HKFRS 9 'Financial Instruments' and HKFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on or after 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using electronic payment system, the amendments also provide further clarifications regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arise fro ESG-related contingencies, and financial assets with certain non-recourse features. The Group is undertaking an assessment of the potential impact.

<u>HKFRS 18 'Presentation and Disclosure in Financial Statements'</u>

In July 2024, the HKICPA issued HKFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace HKAS 1 'Presentation of Financial Statements' but carries over many requirements from this HKAS unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

2. Future accounting standard development (continued)

While HKFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement. The Group is currently assessing the impact before developing a more detailed implementation plan.

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3. Substantial Interests in Share Capital

The register maintained by the Bank pursuant to section 336 of the Securities and Futures Ordinance ('SFO') recorded that, as at 31 December 2024, the following corporations had interests or short positions of 5% or more in the shares or underlying shares (as defined in the SFO) in the Bank set opposite their respective names:

Name of Corporations	**Capacity in which Ordinary Shares were held**	**Number of Ordinary Shares Interested (Percentage of total)** [2]
The Hongkong and Shanghai Banking Corporation Limited	Beneficial owner / Custodian	1,191,484,902[1] (62.83%)
HSBC Asia Holdings Limited	Interest of controlled corporations	1,191,484,902[1] (62.83%)
HSBC Holdings plc	Interest of controlled corporations	1,195,511,509[1] (63.04%)

Notes:

(1) The Hongkong and Shanghai Banking Corporation Limited is a wholly-owned subsidiary of HSBC Asia Holdings Limited, which in turn is a wholly-owned subsidiary of HSBC Holdings plc. Accordingly, HSBC Asia Holdings Limited and HSBC Holdings plc were deemed to be interested in the ordinary shares in which The Hongkong and Shanghai Banking Corporation Limited was shown to be interested.

HSBC Holdings plc filed the corporate substantial shareholder notice (the 'Notice') on 21 June 2024 that on 18 June 2024, the number of the Bank's ordinary shares interested by HSBC Holdings plc, HSBC Asia Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited were detailed above.

(2) The percentage represents the number of the Bank's ordinary shares interested divided by the total number of the Bank's issued ordinary shares as at the date on the Notice.

All the interests stated above represented long positions. As at 31 December 2024, no short positions were recorded in the Register of Interests in Shares and Short Positions required to be kept under section 336 of the SFO.

4. Register of Shareholders

The Register of Shareholders of the Bank will be closed on Thursday, 6 March 2025, for the purpose of determining the shareholders' entitlement to the fourth interim dividend for 2024, on which date no transfer of shares can be registered. In order to qualify for the fourth interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Bank's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on Wednesday, 5 March 2025. The fourth interim dividend will be payable in cash on Thursday, 27 March 2025 to shareholders whose names appear on the Register of Shareholders of the Bank on Thursday, 6 March 2025. Ordinary shares of the Bank will be traded ex-dividend as from Tuesday, 4 March 2025.

5. Purchase, Sale or Redemption of the Bank's Listed Securities

After considering different options in returning surplus capital to the shareholders, the Bank commenced the Automatic Share Buy-back Programme (the 'Buy-back Programme') in April 2024 to buy back up to HK$3bn of its ordinary shares on The Stock Exchange of Hong Kong Limited (the 'Stock Exchange'), details of which was announced on 9 April 2024. The Buy-back Programme concluded on 9 September 2024.

During the year ended 31 December 2024, the Bank bought back 29,575,200 ordinary shares on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK$2,998m and all ordinary shares bought back were subsequently cancelled.

Details of the ordinary shares bought back are set out below:

Month	Number of Ordinary Shares bought back	Purchase price per Ordinary Share Highest	Lowest	Average	Aggregate consideration (excluding expenses)
		HK$	HK$	HK$	HK$
April 2024	7,534,000	105.00	93.90	99.04	746,194,325.64
May 2024	6,654,700	117.20	102.90	109.32	727,507,403.23
June 2024	4,813,900	111.40	99.90	106.51	512,745,608.22
July 2024	4,400,000	104.30	95.85	100.92	444,046,980.00
August 2024	4,792,000	95.75	87.55	91.67	439,295,125.60
September 2024	1,380,600	94.55	90.80	92.80	128,114,001.12
	29,575,200				2,997,903,443.81

Save as disclosed above, there was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of the Bank's listed securities during the year ended 31 December 2024.

6. Corporate governance principles and practices

The Bank is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of its shareholders, customers, employees and other stakeholders. The Bank has followed the module on 'Corporate Governance of Locally Incorporated Authorised Institutions' under the Supervisory Policy Manual issued by the HKMA. The Bank has also fully complied with all the principles of good corporate governance and code provisions; and adopted the recommended best practices, where appropriate, set out in the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year of 2024.

The Bank aims to achieve governance excellence in all respects and to be in line with international and local corporate governance best practices. The Bank has been constantly reviewing and enhancing its corporate governance framework by referring to market trend as well as guidelines and requirements issued by regulatory authorities. Throughout the year of 2024, the Bank has continued implementing governance initiatives within the Group to streamline and enhance the oversight framework of the parent/subsidiaries for reporting efficiency and quality.

The Audit Committee of the Bank has reviewed the results of the Bank for the year ended 31 December 2024.

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7. Board of Directors

As at 19 February 2025, the Board of Directors of the Bank comprises Irene Lee Yun Lien* (Chairman), Diana Cesar (Chief Executive), Cordelia Chung*, Kathleen Gan Chieh Huey#, Clement Kwok King Man*, Patricia Lam Sze Wan*, David Liao Yi Chien#, Lin Huey Ru*, Saw Say Pin, Wang Xiao Bin* and Catherine Zhou Rong#.

* Independent Non-executive Directors
\# Non-executive Directors

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8. Press release and Annual Report

This press release and result presentation material are available on the Bank's website (www.hangseng.com).

The 2024 Annual Report will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Bank respectively and despatched to the shareholders at or about the end of March 2025.

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9. Regulatory Disclosures

To comply with the Banking (Disclosure) Rules and Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (referred to as 'Rules'), the Bank has set up a 'Regulatory Disclosures' section on its website (www.hangseng.com) to house the information related to the disclosure requirements in a document 'Banking Disclosure Statement' required by the Rules. The Banking Disclosure Statement, together with the disclosures in the Group's Annual Report, contained all the disclosures required by the Rules issued by the HKMA.

10. Cautionary statement regarding forward-looking statements

This press release may contain projections, estimates, forecasts, targets, commitments, ambitions, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of the Group which can be identified by the use of forward-looking terminology such as 'may', 'will', 'should', 'expect', 'anticipate', 'project', 'estimate', 'seek', 'intend', 'target' or 'believe' or the negatives thereof or other variations thereon or comparable terminology (together, 'forward-looking statements'), including the strategic priorities and any financial, investment and capital targets and ESG commitments described herein.

Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. The assumptions and judgements may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group.

Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market or economic conditions, regulatory changes, increased volatility in interest rates and inflation levels and other macroeconomic risks, geopolitical tensions or as a result of data limitations and changes in applicable methodologies in relation to ESG related matters).

Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors, including but not limited to ESG related factors, that could cause actual results to differ materially from this press release is available in the Group's 2024 Annual Report for the year ended 31 December 2024.

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